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SALES & MARKETING MANAGEMENT

SEPTEMBER 1991
A BILL PUBLICATION
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POWER SELLING

AMERICA'S BEST SALES FORCES

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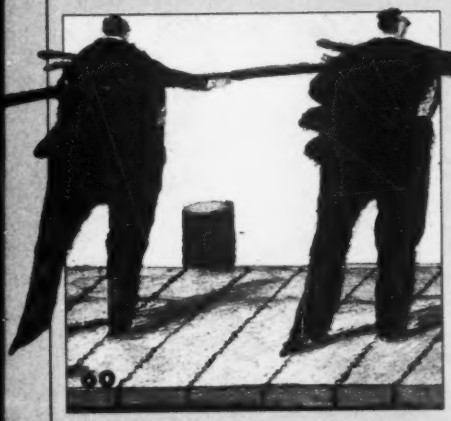

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ABP BPA

THE RACE

WELCOME TO THE WINDY CITY

My first business trip to Chicago nearly 10 years ago was something of a crash course in Windy City aesthetics.

It was February. One of those typical Chicago days where the frigid blasts off Lake Michigan had even the natives on the run, with the slush ankle-deep beneath a cold steel sky. By the time I crossed the river on my way to the Loop, I was a man in desperate search of earmuffs. Five minutes in this deep freeze was enough to remind me that winter on the Great Lakes isn't to be taken lightly. I began to understand why most of what happens in Chicago happens indoors.

Still, the city was new to me, and I was determined not to let the elements discourage my wanderings. On the other hand, every warm, well-lit bar or restaurant beckoned, and after a brief visit to the Picasso and Miro near the Civic Center, I gave in to the temptation and ducked into a nearby tavern.

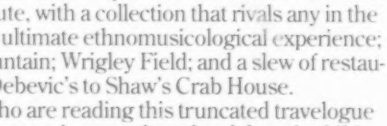
It was late afternoon by that time, and the place began to fill with people as I watched from my perch at the bar. The scene was like something out of the Great American Novel, a lot of friendly banter, laughter, and the occasional shouted greeting to a comrade just in from the cold. This was Chicago in all its gregarious glory.

Later, I took a cab over to the John Hancock building at the suggestion of the bartender, who said the view from the observatory wasn't to be missed. He was right. With the lights of the city stretched out before me, I sipped a second scotch and breathed a sigh warm with peaceful reflection.

Next stop: Lawry's, the venerable Chicago prime rib emporium. Again, the cast of characters was vintage Windy City—worldly, open and honest, and utterly without pretension. I took my time over dinner, soaking up the atmosphere, along with a thick cut, mashed potatoes, and the obligatory Yorkshire pudding. Heading back out into the icy night, the snow swirling about me, I decided to walk the three blocks to my hotel. Except for an occasional passing cab, the city was silent. Back in my room, I turned up the heat and switched on the TV. As luck would have it, I was just in time to catch Cagney in *Public Enemy*, providing the ultimate bit of historical perspective to a day filled with wonders, Chicago-style.

Since that first fruitful trip, I've been back to this city more than a dozen times, each return bringing with it new exploration and experience: Greek Town's incomparable color and cuisine; the Art Institute, with a collection that rivals any in the world; the blues clubs of Old Town, the ultimate ethnomusicological experience; Grant Park's fantastic Buckingham Fountain; Wrigley Field; and a slew of restaurants from Bub City to Carson's to Ed Debevic's to Shaw's Crab House.

There's more, but for any of you who are reading this truncated travelogue while killing some time between seminar sessions or after a hard day of exhibit hopping at POWER SELLING '91, this ought to be enough to get you started. At the risk of luring you away from an event I spent the better part of the last year putting together, do yourself a favor—make sure you find some time to get out and experience this glorious city. And if you happen to see me sitting at the next table, don't worry, it'll be our little secret.



Richard P. Kern
Editor

EXCELLENCE

POWER SELLING

AMERICA'S BEST SALES FORCES

A look at the six winners of our seventh annual survey on sales force quality provides some valuable insights into what constitutes a top-notch sales organization.

BY WILLIAM KEENAN, MANAGING EDITOR

What a difference a year makes.

Just 12 months ago, the current recession was little more than a rumbling on the horizon—a distant spectre, nebulous and not yet threatening. For most companies, the gung-ho, wide-open attitude that characterized business in the 1980s remained the order of the day. And while most people would admit that the recession was out there somewhere, it seemed that whenever you heard about it, it was always happening to someone else.

Of course, this had all changed dramatically by January. Suddenly, money was scarcer and companies were more tightfisted and bottom-line conscious. Competition grew fiercer, and customers were more willing to shop around, altering—if not wholly abandoning—traditional relationships in favor of a more attractive price point.

This economic downturn created a flurry of changes, and its destabilizing effects have been felt in a number of industries—even those once thought mature and seemingly immune to such radical budgetary surgery and marketing malaise. ►

Given all this, it's not that surprising that the results of S&MM's annual Best Sales Force Survey also reveal some dramatic changes this year. A number of previous winners—even some repeat winners from years past—were dislodged from their place in the rankings, replaced by contenders and competitors who had dogged them for years, waiting for the right opportunity to pull off just such an upset.

- In the Chemical industry, perennial bridesmaid Dow Chemical moved into the top spot, nudging out E.I. du Pont de Nemours & Co., which finished first the last time this industry was surveyed two years ago.
- In the Computers & Office Equipment category, Hewlett-Packard narrowly edged out IBM, another longtime favorite.
- In the Pharmaceuticals industry, Eli Lilly moved ahead of Merck & Co., garnering top honors after a long wait in the wings.

Only Scott Paper, this year's winner in the Forest Products category, held on to its former first-place spot. Two new categories and winners—Hyatt in the Hotel industry and Progressive Corp. in Property and Casualty Insurance—round out the slate of 1991's outstanding sales forces.

However, even these companies weren't altogether immune to the recession, although most of our 1991 Best Sales Force winners found some way to turn the current crisis into a competitive advantage—and that, more than anything else, was what determined the final outcome in this year's competition.

For example, despite the fact that competitive pricing in commercial insurance markets, coupled with a decline in auto sales, hurt Progressive Corp.'s business during the last 12 months—"There's just less potential volume for us out there," notes senior vice president Alan Bauer—the company has nonetheless been aided by the withdrawal of many competitors from the auto insurance business. And in more general terms, says Bauer, "The recession has helped our hiring capabilities—there are more qualified salespeople out there."

In the hotel industry, the recession and the Gulf War conspired to wreak havoc with occupancy rates, making an already bad situation even worse in a number of key markets. To its credit, Hyatt countered with an effort to keep its customers in closer contact with the company's senior management, as well as with managers and sales directors of its individual properties. This strategy, along with an emphasis on targeting previously untapped market segments, is being used to fashion a sales and marketing program that Hyatt hopes will help solidify its position and allow it to prosper when conditions eventually improve.

"The recession has definitely made doing business tougher," says Dennis Stewart of Scott Paper. In Stewart's industry, as in many others, orders are smaller, retailers' inventories have shrunk, and shoppers are spending less. By convincing customers that they've got, as Stewart says, "the right products and the right people," however, Scott has weathered the recession better than most, evidenced by its continued success in the face of widespread industry cutbacks and consumer defections.

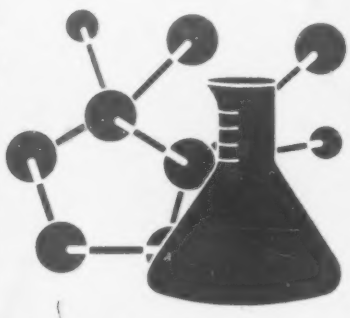
The computer industry suffered a double whammy this past year, undergoing an industry shakeout in the midst of an anemic economic environment. The good news, however, is that this has hastened a trend toward industry partnerships, alliances, and interconnectivity. And with an array of new products and a strategy that stresses customer/company relationships, Hewlett-Packard feels it's uniquely positioned to take advantage of this.

Similarly, the recession has accelerated the consolidation of Dow Chemical's domestic customer base, which has in turn encouraged the chemical firm to hasten its cultivation of global markets, searching out opportunities wherever they exist. Long a believer in international marketing, Dow's strategy has helped it grow and prosper in an otherwise flat economy, and its emphasis on team selling and other innovative programs places it among the leaders in its industry.

At least one of our winners—in the Pharmaceuticals category—

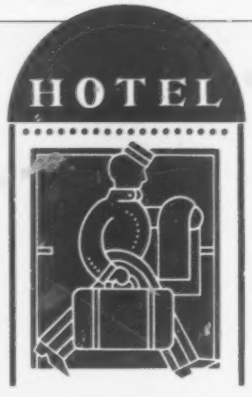
INTERPRETING THE NUMBERS

Survey participants in each industry category were asked to rate the top companies in that category on their effectiveness in seven sales functions (see page 44). Ratings were based on a scale ranging from 1 (poor) to 10 (excellent). The scores represent the average of the seven ratings that each company received.



CHEMICALS

COMPANY	SCORE
Dow Chemical	7.8
Du Pont	7.3
Bayer USA	7.3
American Cyanamid	6.9
Union Carbide	6.8
Hoechst-Celanese	6.7
Monsanto	6.6
Lyondell	6.5
W.R. Grace	6.5
BASF	6.4



HOTELS

COMPANY	SCORE
Hyatt	8.0
Marriott	7.7
Hilton	7.0
Radisson	6.5
Sheraton	6.4
Holiday Inn	5.9
Ramada	5.6
Best Western	4.7
Howard Johnson	4.5
Helmsley	3.6

COMPUTERS & OFFICE EQUIPMENT

COMPANY	SCORE
Hewlett-Packard	7.1
IBM	6.9
Pitney Bowes	6.7
Sun Microsystems	6.7
Apple	6.7
Compaq	6.6
Digital Equipment	5.9
NCR	5.2
Unisys	4.9
Wang Laboratories	4.4

FOREST PRODUCTS

COMPANY	SCORE
Scott Paper	7.3
Boise Cascade	7.2
International Paper	7.2
Stone Container	6.7
Georgia-Pacific	6.7
Weyerhaeuser	6.6
Kimberly-Clark	6.4
Mead	6.4
Champion	6.4
James River	5.8

PHARMACEUTICALS

COMPANY	SCORE
Eli Lilly	7.6
Merck	7.0
Pfizer	6.8
Abbott Laboratories	6.6
Upjohn	6.2
Warner-Lambert	6.0
Johnson & Johnson	5.7
Schering-Plough	5.6
Bristol-Myers Squibb	5.5
American Home	5.1

PROPERTY & CASUALTY INSURANCE

COMPANY	SCORE
Progressive	6.8
Chubb	6.6
Hanover	6.1
Ohio Casualty	5.9
Continental	5.7
St. Paul Companies	5.7
USF&G	5.1
Allegheny	5.0
Fund American	4.6
Geico	3.7

claims not to have suffered at all as a result of the recession. One Eli Lilly insider sums it up by saying, "Illnesses aren't sensitive to economic indicators," and adds, a little more realistically, "I wouldn't say our industry is recession-proof, but it certainly doesn't experience large swings in business."

In more general terms, the fierce competition resulting from the recession is reflected in the narrow margins of victory posted by this year's winners—the largest being no more than six-tenths of a point in the overall averages that determined who finished first in each industry group.

That competition is also evident in the fact that none of our winners scored a clean sweep by getting the highest rating in all seven areas of sales force quality (see page 44). Hyatt came the closest, topping the list in five of seven areas and tying for top honors in a sixth. On the other hand, although Hewlett-Packard had the highest overall rating for the Computers & Office Equipment industry, it posted top honors in only one quality component—appropriately, Reputation Among Customers—tying for first place in one other.

In addition, the economy seems to have made itself felt in terms of customer satisfaction—or dissatisfaction—with certain companies, reflected in the overall ratings posted in this year's survey. This is evident not so much in the scores of companies at or near the top of each industry category—most of these numbers are comparable to those from previous years—but in the scores of those at the bottom. Two years ago (the last time we surveyed most of these industries), no company scored less than 5.0 in their overall rating. This year, however, no fewer than eight companies scored 5.0 or lower overall.

But lest we forget, our purpose here is to honor those companies whose sales effectiveness made them stand—if not head and shoulders, at least a hair or two—above the competition this year. In the pages that follow, we'll take a closer look at the winners in each of our six categories, examining the people, programs, strategies, and philosophies that helped make them the best in the eyes of their customers and peers. As to the runners-up, our congratulations on keeping the competition close and the pressure on. If this year's survey is any indication, perseverance most definitely *does* pay off—just ask Hewlett-Packard or Dow. ►

The Best in Seven Categories of Selling

COMPANIES, FOLLOWED BY SCORES, WITH A HIGHEST POSSIBLE SCORE OF 10.

Industry	Recruiting Top Salespeople	Ability to Keep Top Salespeople	Quality of Training	Opening New Accounts	Holding Accounts	Product/ Technical Knowledge	Reputation Among Customers
Chemicals	Dow Chemical **8.2**	Du Pont **7.6**	Dow Chemical **7.7**	Bayer USA **7.6**	Dow Chemical **8.1**	Dow Chemical **8.0**	Dow Chemical **8.7**
Computers & Office Equipment	IBM **7.5**	IBM **7.2**	IBM **7.6**	Sun Micro-systems **7.5**	Pitney-Bowes/ Sun Micro-systems **7.0**	IBM/Hewlett-Packard **7.6**	Hewlett-Packard **7.8**
Forest Products	Scott Paper **7.2**	Boise Cascade **7.1**	Scott Paper **7.7**	Scott Paper **7.6**	Scott Paper/ Boise Cascade **7.3**	International Paper **7.8**	International Paper **7.8**
Hotels	Hyatt **8.2**	Hyatt **7.8**	Hyatt **8.2**	Marriott **7.5**	Hyatt/ Marriott **7.7**	Hyatt **8.1**	Hyatt **8.4**
Pharma-ceuticals	Eli Lilly **8.4**	Eli Lilly **7.6**	Eli Lilly **7.8**	Abbott Labs **6.8**	Pfizer **6.7**	Eli Lilly **8.4**	Eli Lilly **8.3**
Property & Casualty Insurance	Progressive **6.7**	Progressive **7.0**	Progressive **7.8**	Chubb **6.1**	Chubb **6.8**	Progressive **7.3**	Chubb **7.3**

DOW MAKES IT BIG BY THINKING SMALL

"We're number one because we recruit good people," states Robert M. Baughman, vice president of human resources for Dow Chemical.

To some, this may sound like a cliché. But Baughman, who's also a member of the operating board of Dow U.S.A., isn't purveying platitudes. He means what he says—and backs it up.

Over the course of the last decade, Dow has built a unique recruiting program into a state-of-the-art salespeople-making machine that turns out some of the best people-product in the chemical business. The secret, says Baughman, is simple. Since Dow recruits almost exclusively from college campuses, its policy is to treat the schools like business partners.

"We 'penetrate' the account," Baughman explains. "We make sure our relationship to each school is like our relationship with a supplier. For instance, we get to know the president and vice president of the school. We learn what their needs and goals for the institution are." Over the years, Dow has selected a group of about 35 colleges and universities for this special treatment, primarily in the Midwest and South.

While the new hires recruited by Dow tend to be evenly split between those who have technical degrees and those who have less specialized credentials, all recruits are processed through the company's training program. "It's one of our best-kept secrets," confides Richard E. Sosville, vice president of sales and marketing for U.S. Dow Plastics and himself a veteran of the program. "What makes it so special," Sosville says, "is that it aims to produce a fully balanced seller, not just someone trained in product knowledge alone."

During the year-long program, trainees spend equal amounts of time in classroom situations and working on three related training projects that involve such things as working in Dow's customer service center taking customer calls and orders, or producing an in-depth marketing study involving customers or new markets. Finally, the students spend actual field time selling to—and interacting with—the company's customers and prospects.

By the time a new recruit is assigned to one of its 23 sales offices in the U.S., Dow has made a substantial investment in each trainee. "We've calculated that after about four years with the company, our investment is in the hundreds of thousands of dollars," notes Baughman.

And Dow fights hard to keep its investment intact—and out of the hands of raiding competitors—by offering its salespeople a clear career path and plenty of opportunity.

"Dow has a good, solid career ladder for people who want to sell as a career," explains John W. Tysse, vice president of sales and marketing for chemicals and performance products. "There are many steps between an entry level sales position and a spot as a senior sales executive. At the top of the ladder, for example, are fourteen salespeople who each handle three to four of Dow's largest accounts, and those positions can involve a number of different divisions and product lines."

While salespeople are on their way up that ladder, Dow also tries to see to it that they remain motivated and informed, using structured evaluations and constant manager/salesperson communication to achieve these objectives. "We believe in rigorous goal setting," Tysse explains. "As managers, we try to make sure our people meet their personal goals and their business goals. The aim is to make our people feel challenged throughout their career."

Dow's investment in its own people is only one side of the coin, however. The other is the company's concentration on building similar relationships with its customers. "We see it as a long-term investment," says Baughman. "And it's not just sales service and technical service. Occasionally, we've even provided financial assistance and loans for new projects."

Because of the company's size and diversity, each Dow division has its own way of growing its partnerships. Dow Plastics, for instance, teams salespeople with engineers who jointly call on accounts and report to one manager. Sosville says that sending both a salesperson and an engineer on sales calls helps the buyer make a more knowledgeable selection.

Which may all sound very cutting-edge and customer-driven, but this philosophy actually has its roots in something much more basic. Despite its status as the sixth largest chemical company in the world, there's a lot about Dow that harkens back to an earlier time, a time before global marketing and concepts like team selling and value-added. Back then, the relationship between a company and its employees—and its customers—was something sacred. And, at Dow, it still is.

In a way, this only makes sense, since Dow is still headquartered in Midland, Mich., the town where the company was founded back in 1897. Baughman speaks volumes about this historic link—and its effect on Dow's corporate philosophy—when he notes that in spite of Dow's successful globalization, "I think we've been able to maintain the solid, everyday values of a small town."—*B.V.* ►

CHEMICALS

Company: Dow Chemical Co.

Major Product or Service: Chemicals and performance products

1990 Sales Volume: $19.8 billion

Number of Salespeople: 500

Sales Philosophy: "We do not succeed unless our customers succeed."

Robert M. Baughman of Dow Chemical

HEWLETT-PACKARD STRIVES TO CONNECT WITH ITS CUSTOMERS

"Our goal is to deploy the best sales force in the industry," says Manuel Diaz, Hewlett-Packard's director of sales and marketing for the U.S., Canada, and Latin America. "For us, that means fielding the best quality people at the lowest cost and at the highest levels of customer satisfaction."

With those three tenets acting as cornerstones to Hewlett-Packard's sales effort, the giant computer company has already assured itself some measure of success. For the first time since *S&MM* began including Computers & Office Equipment in its Best Sales Force Survey (this being its fourth appearance in seven years), H-P is the only company ever to knock IBM out of the top spot.

And although Diaz gives credit for this distinction to his company's sales force, he also cites H-P's sales training efforts, its "thrust toward providing the best, the fastest, and the most powerful technology," and its "continuing focus on the customer as our number one priority" as contributing factors. "When you have a lot of new products," he says, "selling is a lot easier."

Which is not to say that Hewlett-Packard is just "peddling iron"—or hardware—as Diaz puts it. "There's a significant movement in our industry away from mainframes and more toward a client-server approach to automation and to greater 'connectivity' between systems," he says. "As a result, big computer operations will be decentralized and broken into smaller operating components—and not all of those components will come from the same manufacturer. The company that thrives in this type of selling environment will be the one that offers the best solutions for connecting and integrating those systems—and that can best articulate that strategy to the customer and explain what it means to them."

This trend toward systems and solutions, says Diaz, is prompting a corresponding evolution in the role and skills of the salesperson. "The new salesperson," he notes, "will have to be able to understand customer requirements and explain solutions in terms the customer can understand. He'll have to deal with a number of partners, including value-added resellers, software vendors, and even competitors whose equipment may also be integrated into a customer's system." In this regard, Diaz acknowledges, his salespeople may have to be as knowledgeable about the technology of competitors' equipment and of industry standards as they are of H-P's own products.

In fact, Hewlett-Packard's salespeople are already making a mark in terms of their Product/Technical Knowledge, finishing in a tie with IBM at the top of that category of sales force effectiveness as demonstrated in this year's Best Sales Force Survey.

Diaz attributes those high marks in some part to his company's commitment to new product development, but he also links them to H-P's emphasis on training. "Many of our people come from technical backgrounds and move into sales," says Diaz. "We also demand a lot of know-how from them."

Every member of the company's sales staff receives basic training in such areas as strategic selling and account management, with custom-training videos that get the latest information about new products out to its field salespeople. The company also uses interactive TV/satellite training sessions to aid sales groups on specific projects or for regional groups whose customers might benefit from new H-P products.

The company also puts its salespeople through an advanced training course on open systems and client-server technologies (the terms are often used interchangeably, though Diaz insists they aren't synonymous) and teaches them how to relate those technologies to their customers' needs. H-P frequently sends *customers* through this same training program as well.

This kind of industry-specific training has become a major component of H-P's training and development effort. This is primarily due to the fact that the H-P sales force, while organized geographically, is expected to develop a focus on specific industries that may dominate certain geographic areas—whether it's the auto industry in Detroit, the oil and gas industry in the Southwest, or financial services in New York City.

Diaz sees the near term dominated by alliances such as the recent agreement between IBM and Apple. Still, he cautions, "It's important that alliances such as these don't inhibit customer choices."

Customer satisfaction plays a very important part in Diaz's projections about how his company will fare in the years ahead. "Our strategy is to be as open as anyone," Diaz says, "and to have the customer choose H-P because we have a better product and because our company is one customers like to deal with."—*W.K.* ►

COMPUTERS & OFFICE EQUIPMENT

Company: Hewlett-Packard Co.

Major Product or Service: Computers and peripherals.

1990 Sales Volume: $2 billion (U.S.)

Number of Salespeople: 1,000

Sales Philosophy: "Make sure we satisfy customers' needs now and maintain that satisfaction in the future."

Hewlett-Packard's Manuel Diaz

SCOTT PAPER IS ON A ROLL

Being a salesperson for Scott Paper Co. has never been easier. And it has never been harder.

At the end of the 1980s, Scott had the consumer paper products market all wrapped up. Its ubiquitous 1,000-sheet roll of toilet tissue and ScotTowel paper towels were staples in every pantry and commanded premium positions in the hotly contested battle for supermarket shelf space. It was—and still is—one of the few paper companies to put its name on its products, making the name Scott synonymous with old-fashioned value and reliability.

A funny thing happened on the way to the store, however. Heady competitors such as Procter & Gamble were introducing or revitalizing brands that were positioned to butt heads with the Scott stalwarts. Retailers, squeezed by shrinking profit margins and a newly sobered economy, started demanding that manufacturers play *their* game. Rather than having salespeople dictate product mix and shelf allocations, store managers started asking, "What can you do for *me*?" In turn, salespeople suddenly found themselves doubling as financial strategists, category analysts, and marketing researchers.

Many marketers were ill-prepared for the turnabout, but not Scott. By switching its sales mission from volume at any cost to profitability—both for the brand and the customer—the company breathed new life into its mature products and nudged up market share on new ones.

"It was quite a massive change," reflects Lee Griffith, vice president of North American consumer marketing. "It required months of preparation, entirely new systems, and big changes in our corporate culture and training. We had to redirect our sales force around what the senior objective really is, and quite frankly, not everyone was up to the task."

Those salespeople who did make the cut were in for a rough ride. "We started the move from volume to profitability in the mid-eighties, changed salespeople's compensation in 1987 and 1988, and are still fine-tuning the system," says Griffith. "It's no longer a volume or promotional approach to customers—it's a lot broader than that. It's understanding brands and how the [consumer's] response to various actions on our part is timed so that we can eliminate waste and improve profit."

To accomplish the task, Scott salespeople were trained to be alchemists of a sort, blending their persuasive powers, knowledge of the market, and reams of data in order to arrive at the most profitable product mix for both company *and* customer. If, for instance, a particular customer features "Brand X" napkins in its advertisements for one week every month but the brand commands only a 10% share of the napkin market, "that's probably a misallocation of ad space," says Dennis Stewart, vice president for consumer sales. If, instead, the retailer advertised the leading brand in that category, "the store could really build category profits," he says.

"It's bringing a scientific approach to the selling encounter," he adds. "Many retailers have built relationships with suppliers over time and may tend to over-allocate space to the suppler's brands. Often, these brands don't pay the rent. Through the science of knowledge interpretation and communication, you can break down some of those harmful habits."

Salespeople had a few harmful habits of their own to break. To get them to buy into Scott's new and improved way of doing things, time, money, and resources were poured into teaching new skills, such as data processing and financial analysis. Whereas salespeople used to "go off on their own" and rely on their instincts, a new sense of discipline was infused throughout the ranks, says Stewart.

"Discipline isn't suppression," he explains. "It's correct teaching of ways and methods. We've tried to bring a sense of capitalism to how our people think and perform."

There are some things, however, the company won't change; namely, its reliance on the equity of the Scott brand. "Since brands have a unique ability to speak universally of quality, consistency, and value, it's in every marketer's interest to understand their power, and the ways and the means of their management," says John C. Holt, CEO of A.C. Nielsen, the Northbrook, Ill.-based media measurement and market research firm. Exemplary brand management has been Scott's hallmark throughout its long history, and 1991 will be no different.

Which is not to say that Scott will become complacent about its success. Quite the contrary. Dennis Stewart sees the next few years as some of the most challenging for his sales force. "They're going to have to be better thinkers and initiators," he says of Scott's salespeople. "They're going to have to think categories versus brand and products to an even greater degree. And they're going to have to take more of a business approach, rather than just a sales approach. We've made a lot of progress, but we have a lot more progress to make."—*B.W.* ►

FOREST PRODUCTS

Company: Scott Paper Co.

Major Product or Service: Consumer paper goods

1990 Sales Volume: $5.4 billion worldwide (includes all divisions)

Number of Salespeople: 500

Sales Philosophy: "We want to help our customers maximize their return on category space."

Dennis M. Stewart of Scott Paper

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HYATT HAS NO RESERVATIONS ABOUT SALES EXCELLENCE

Because they're friendly folks by nature, hotel salespeople traditionally have been longer on charm than textbook-style selling skills.

For some, upholding that tradition is regarded as a noble enough goal. But for Jim Evans, senior vice president of sales for Hyatt Hotels Corp., only a perfect balance will do. "It's a very social business," Evans says, "but I believe that it's our customer-centered selling skills that distinguish us from the competition."

Echoing this view from his own perspective is Evans's comrade-in-bookings, Marc Yanofsky, Hyatt's senior vice president of marketing. "The days of mass marketing in the hotel business are over," he says, "and one result is that the lines between sales and marketing are blurring."

Getting field reps to dig for facts on a sales call so they can perform an intelligent needs-analysis is just one example of how Evans improves sales performance while creating a steady stream of information for Yanofsky's marketing database. And even though it may require some extra effort by Hyatt's reps, most of them appreciate it when the time comes to plan their next call on behalf of one of the company's 106 U.S. properties.

"We can send [the rep] a customer profile that tells them a lot of things, including where the prospect stayed, how long, and what airline he or she used," says Yanofsky.

This vivid view of the marketing landscape has emerged only since Hyatt's grand design for greater customer-orientation was put into place during the past year. One of Evans's key moves: adding middle managers and having them check out of headquarters so they can be closer to the market.

These 10 managers, called divisional directors of sales and marketing, now work from one of the hotels in their region instead of the home office in Chicago. Evans says this puts them in a better spot to oversee operations of the individual hotel sales forces and keep them abreast of programs generated by corporate. The organization is headed up by Frank Calaguire.

Even an ambitious upgrading of sales and marketing can only do so much to improve things right off the bat. Typically, hoteliers sleep best when occupancy rates are 70% or more, but according to Mark Lomanno, research manager of Smith Travel Research in Gallatin, Tenn., the occupancy rate for U.S. luxury hotels slumped to 62.7% during the first five months of 1991—down from 65.8% a year earlier.

"Because of the Gulf War and the recession, we've had more corporate cancellations than at any time in our history," says Evans, who counters the trend with a tactic he perfected even before the crisis: Working from a list of companies tentatively holding space at Hyatt hotels, Evans parcels the names out to senior executives—including himself.

Naturally, any marketer would kill for this kind of high-level support. Still, it's not easy to make this kind of program both consistent *and* successful. At Hyatt, however, everyone in the top ranks—from president Darryl Hartley-Leonard on down—is committed to calling five "tentatives" a month in order to help close the sale. Says Evans matter-of-factly: "The senior officers of the company are responsible for our key customers."

Hospitality, of course, is still a persuasive part of courting the customer, but Hyatt makes sure that it's parceled out by market segment. Thus, a covey of travel managers from, say, the insurance industry may be invited to a Hyatt resort for food, fun, and feedback, providing valuable input. Similar advisory boards give Hyatt marketers insight into segments as diverse as association buyers, nonprofit groups, and African-Americans.

This kind of segmentation has affected the sales force as well. Referring to the nation's 35,000 travel agents, Yanofsky notes that "in the hotel business, agents are both your representative *and* your customer." Thus, Evans has 20 people selling out of regional offices who call only on travel agents—and he plans to double that number over the next 12 months. The goal: Make it easy for agents to sell Hyatt. At the same time, other sales "specialists" are concentrating on corporate travel managers or trade associations, and Evans says he's steadily adding people in these areas as well.

"To be effective," he says, "our salespeople must understand how the customer makes a decision. They have to know the basic economics of the business." And that philosophy isn't just for the rep in the field, either; it's practiced throughout the entire corporation.

"Every piece of business must be examined for its profitability," says Evans, "but we're all out fighting in the trenches. In the end, the sales force with the best selling skills will be the one that wins."—*M.E.* ►

HOTELS

Company: Hyatt Hotels Corp.

Major Product or Service: Deluxe hotels

1990 Sales Volume: $2.2 billion

Number of Salespeople: 625

Sales Philosophy: "Put the highest possible priority on selecting a sales staff capable of wrapping our sales and marketing programs around the customer's needs."

Hyatt sales chief Jim Evans

ELI LILLY LAUDED FOR ITS BEDSIDE MANNER

When asked what contributed to his company's success, E.M. Cavalier, vice president of sales for Eli Lilly & Co., says without hesitation: "Our people. Lilly people work together and recognize the importance of quality. We try to create an environment where problems aren't ignored, they're seen as a growth opportunity."

And Lilly salespeople certainly had their share of growth this year. The company saw a tremendous increase in sales due to its newest product, Prozac.

That success wasn't without controversy, however. Although the majority of patients for whom Prozac was prescribed claimed to experience immediate relief from their symptoms of depression, there was allegedly a handful of patients who suffered psychotic episodes.

"It was due to the expertise and professionalism of our sales force that these false accusations were diffused and Prozac gained the largest market share during the course of the year," says Cavalier. "Our salespeople were equipped with the appropriate clinical data to refute the false claims and convince our customers that there was no relationship between our product and these types of negative side effects." *[Note: After a formal investigation, the FDA recently disclosed that there is no substance present in Prozac that is accountable for such dangerous tendencies.—Ed.]*

It's no wonder that Lilly's salespeople were capable of saving the reputation of their product: Recruiting Top Salespeople and Product/Technical Knowledge were the two categories in our Best Sales Force Survey in which the company scored highest. In fact, the only two areas where Lilly didn't outstrip its competitors were Opening New Accounts and Holding Accounts.

When asked to comment on this, Cavalier contends that low scores in these areas should be expected if you understand their operations. "We only sell to distributors," he says. "We have 240 in the U.S. alone, and because we like to keep close ties with each and every one of them, we don't see a need in opening a number of unnecessary accounts. We only sell to wholesalers on an as-needed basis. At this point, we feel we have a sufficient distributorship to meet the needs of the corporation."

"We take our responsibility to customers very seriously," says Cavalier. "Every employee adheres to the company's mission statement and vision, which decrees, among other things, that all company activities should be conducted with a thirst for excellence, with the highest ethical standards, and with a customer orientation."

Also, the company continues to recognize its employees as its most important asset. "Our objective," states Cavalier, "is to attract and retain outstanding people at all levels of the organization."

When hiring, the company prefers candidates to have some sort of science or health-care background; only 20% of its work force have earned business degrees. Still, Lilly offers a defined training program in order to allow salespeople to study their products and learn how best to promote them. In addition, after an intensive two-year training period, sales reps are given a battery of psychological tests in an effort to teach them more about themselves. The idea is to put salespeople in touch with their own strengths and weaknesses so they can concentrate on reinforcement and improvement.

"I think the growth opportunity we offer our employees is the major thing that distinguishes our sales force from the competition," says Cavalier. "Our employees aren't just offered positions, but careers. We promote primarily from within. Therefore, we look at a number of different qualities when recruiting. Aside from the ability to sell, we expect our force to possess good 'people skills,' as well as problem-solving and analytical abilities."

Such diligence and hard work certainly pay off for Lilly's salespeople: Compensation was the largest sales cost component in 1990. "We had a very good year," says Cavalier, "and we like to reward our salespeople accordingly. Our reps rely on a bonus program that's based on the company's sales and profit achievements. Still, we review our position in the marketplace annually to make sure we remain in the top compensation tier of the industry."

In spite of this, cost-containment efforts directed at the health-care industry—particularly prescription drugs—are going to change the role of the pharmaceuticals salesperson. "Traditionally, our sales reps were the basic communicators of professional and technical information," says Cavalier. "But that's changing. Now they're going to have to demonstrate economic justifications for buying our products.

"We need to communicate the value of innovative products in *controlling* health-care costs," Cavalier adds, "as well as increasing productivity and improving the quality of life."—*K.R.*

PHARMACEUTICALS

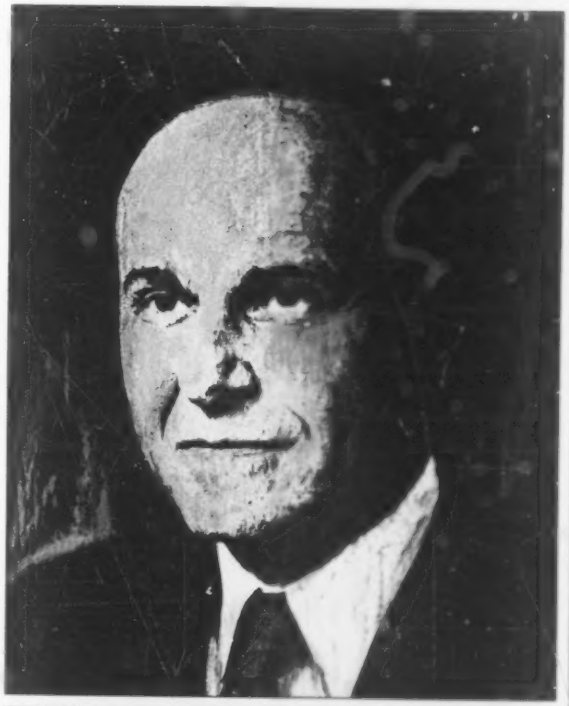
Company: Eli Lilly & Co.

Major Product or Service: Pharmaceuticals, medical instruments, and diagnostic products

1990 Sales Volume: $4.1 billion

Number of Salespeople: 1,700

Sales Philosophy: "Success through people."



Eli Lilly's E.M. Cavalier

PROGRESSIVE'S SUCCESS IS NO ACCIDENT

Alan Bauer will be the first to admit that insurance isn't exactly the most glamorous product in the world.

"There are few products less satisfying to buy," concedes Bauer, senior vice president of products and services for Progressive Corp. "When you buy insurance, you have one of two outcomes: Either nothing happens and you've wasted your money; or something *does* happen and you get into the nightmare of deductibles and phone calls and paperwork."

Nonetheless, in the lackluster world of loss ratios and actuarial tables, Progressive has become something of an anomaly on several fronts. It has scored big profits with a product most companies lose their shirts on: auto insurance. Its primary customer base is high-risk drivers whose policies have been canceled or who have been refused insurance by other carriers. And, once a customer has an accident, the company actually tries to make filing a claim quick and hassle-free. One call to its 24-hour hotline will dispatch teams of claims adjusters to the site who have been trained to respond empathetically to victims' physical and emotional trauma.

Which may all be well and good for Progressive's present customers. But as Bauer points out, expedient claims-handling hardly brings new customers stampeding to Progressive's door. "If I were to say, 'Buy our insurance because we've got great claim service,' your reaction would be, 'I'm probably never going to have a claim anyway, so that doesn't turn me on.'"

What does turn new customers on is Progressive's singular breed of salesperson. In an era when "empowerment" is just another cliché, Progressive actually gives its salespeople decision-making muscle. "In most insurance companies, the ultimate responsibility for a given policy is spread among a number of people: the underwriters, the actuary, the salesperson, and the claims person," says Bauer. "All of that ultimately rests on one person at Progressive. He or she typically isn't as good an underwriter as the underwriter for another company, not as good a claims person or salesperson, and probably isn't legally an actuary. But because Progressive reps wear all of these hats at the same time, they can make the trade-offs necessary. We really do give that sort of authority, and that's very frightening for a lot of people. This isn't a company for everybody."

Indeed. Peter Lewis, the company's flamboyant CEO, brags that he has fired more Harvard Business School graduates than most other insurance companies have hired. Still, argues Bauer, by offering a more lucrative compensation package than other insurance companies, Progressive has filled its ranks with top-notch salespeople who otherwise might not have considered a career in insurance.

Although salespeople can earn incremental bonuses that are tied to volume, bonuses represent a smaller proportion of compensation than at other insurance companies. Bauer's rationale: Progressive wants its salespeople to spend time in the field digging up marketing intelligence. "If someone is very good at this, we want to make sure he or she is recognized," he explains. Any change in a competitor's prices or products, as well as any customer complaint, is promptly channeled back to company headquarters. "The sooner we know about it, the sooner we can react," he says.

Another reason the company downplays bonuses tied to volume, notes Bauer, is that "we found that substantial compensation contingent on achieving certain goals didn't produce team thinking. It also didn't necessarily produce the best output for the company."

Besides exhaustive technical training for new hires, each of the company's 16 operating divisions continually keeps salespeople up to date on the ever-changing swirl of regulations and procedures in the insurance industry. In addition, many salespeople participate in a new off-site program that enhances salespeople's sensitivity, empathy, and awareness. "We're about ten times bigger than we were ten years ago," says Bauer, "which means many of our people don't have the management and communications skills people from another organization of our size might have. We wanted to address that."

Coping with the industry's increasing complexity will be the most formidable challenge Progressive's sales force faces in the coming years. Says Bauer: "There's a great lack of knowledge [about insurance options] among consumers. As the industry becomes more complex, both through natural evolution and increasing regulatory and legislative demands, customers' needs will be harder to fulfill."

That may be the case. But if the past is any indication, Progressive will continue to stand out as an insurance company that really cares about its customers.

And that's no accident.—*B.W.*

PROPERTY & CASUALTY INSURANCE

Company: Progressive Corp.

Major Product or Service: Property and casualty insurance

1990 Sales Volume: $1.4 billion

Number of Salespeople: 30 who call directly on customers, 150 who call on independent agencies

Sales Philosophy: "To position ourselves as an organization that reduces the economic and human trauma associated with accidents and thefts."

Alan Bauer of Progressive Corp.

REPS AND RECOGNITION: UNDERSTANDING WHAT MOTIVATES

Since independent reps respond differently than company salespeople to incentives, you must first know what motivates them before you can set up a successful program.

BY EDWIN E. BOBROW

According to data recently published in *S&MM's* annual *Sales Manager's Budget Planner* (June 17), the median cost of a sales call averages $210.34 for those selling consumer goods, $250.54 for industrial goods, and $222.66 for services. Considering these costs—and the fact that they continue to escalate—making sales calls more effective and minimizing the number of calls necessary to obtain an order should be essential goals of every sales executive, regardless of what, where, or how they're selling.

Of the many factors that go into an efficient and effective sales call, motivation is one of the most important. A good motivational program that taps the inner resources of sales reps can make the difference between getting the order—or getting the brush-off—from customers and prospects.

Motivating independent sales agents, however, is different than motivating company salespeople. What will work for a dedicated sales force may not work for a force of independent reps. In addition, what will work for the principals of an independent sales agency may not work as well for the reps who work for that agency. Therefore, it's necessary to look at both of these groups carefully and understand what motivates the majority of individuals in each. Only then can you expect to develop an incentive program that will have the optimum motivational effect.

Dick Berry, himself an independent agent, writes in his book, *Understanding and Motivating the Manufacturers' Agent* (CBI Publishing, Boston), "Each of us is a bundle of interests, attitudes, and values instilled through a lifetime of learning. We respond to situations that provide satisfaction and rewards. A manufacturers' agent, like everyone else, is continuously going through a sorting process. The outcome determines, for example, whether or not he or she will call on a given account or spend time on a particular line or product."

A HIERARCHY OF NEEDS

In order to understand the motivational process, you must first understand some of the basics behind motivation itself. Abraham Maslow, the father of the "Humanistic School" of psychology, contends that people have a hierarchy of five levels of needs and that the higher level needs can't be addressed until lower level needs in the hierarchy have been satisfied. Maslow's Hierarchy—from bottom to top—includes:

- **Physiological needs:** the basics, such as hunger, thirst, shelter, clothing, reproduction, etc.
- **Safety/security needs:** stability, law and order, pensions, and the need for structure, etc.
- **Love/belonging needs:** belonging, acceptance, love, etc.
- **Self-esteem needs:** respect, recognition, attention, a feeling of importance, etc.
- **Self-actualization needs:** creative expression, full-self expression, challenge, etc.

Recognizing where the people on your sales force are within this hierarchy can help you develop the motivational program that's most effective

ALASTAIR FINLAY

for each group. Keep in mind, however, that a person's life's work isn't to achieve any particular level on the hierarchy (shown on page 86) but the stages can provide a convenient motivational benchmark for determining the needs of different—and differing—groups at different points in time. The same individual or group might be more responsive to safety/security motivators at one point and self-actualization motivators at another, depending on such things as age or maturity, economic conditions, the job market, corporate culture, family matters, and a variety of other factors well out of the control of any sales executive.

As part of the research for his book, Dick Berry developed a test that indicated where people from different walks of life would fall on Maslow's Hierarchy pyramid. He called it a "Motiquiz" and administered it to a number of salespeople, independent agents, sales managers, graduate students, executives, and others. Berry discovered that owners or partners in independent rep agencies most often fell into the self-actualization level, while those who worked for them were more likely to be on the safety/security level. Given this, it's easy to see why the principals of sales reps' organizations respond well to involvement with manufacturers, while those who work for them respond best to bonuses, contests, and incentives.

Many years ago, our sales agency represented two manufacturers, both of which produced identical income ($25,000 in commissions per year), shipped orders promptly, and paid their commissions on time. The difference, however, was that one—let's call it Ignore Inc.—never had its national sales manager come to our territory; we worked only with the regional manager. We met the president only on rare occasions, and then only when we were at his plant or at a national sales meeting.

By contrast, the other company—we'll call it Dream Co.—sent birthday cards, phoned if one of our people was ill or had had a baby, and in general took a personal interest in our people and our company. The president of Dream Co. visited and worked with us at least once a year; the national sales manager met and worked with us twice a year. The regional sales manager was in constant touch and worked with us about six times a year. We received token "quota buster" gifts, recognition awards at Dream Co. sales meetings,

Motivational Techniques—What Works for Me

TECHNIQUE	IMPORTANCE AS A MOTIVATOR: NONE	LITTLE	MODERATE	CONSIDERABLE
Highest possible commission	0%	0%	21%	79%
	0	2	35	63
Volume-progressive commission	0	14	57	29
	7	18	47	28
Quotas or sales goals (commission based on quota)	7	43	50	0
	30	41	27	2
Product training (specifications and applications)	0	14	43	43
	2	7	30	61
Backup and support (individual help on customer problems)	7	0	21	72
	0	4	8	88
Promotion and advertising (directed to customer)	0	36	64	0
	0	12	69	19
Fear ("Perform or else!")	29	71	0	0
	72	20	6	2
Contests (short-term for special programs)	7	79	7	7
	25	43	31	1
Incentives for new accounts or business	0	31	62	7
	8	19	47	26
Recognition (congratulations, awards, visits by principals, etc.)	0	15	62	23
	5	34	40	21

Key:
Corporate sales managers
Manufacturers' agents

SOURCE: Bobrow Consulting Group.

trips and contests for our salespeople, bonuses for the agency when we exceeded quota, and more. Dream Co.'s president even called regularly to get ideas from our principals and to find out how things were going, and they sent us chocolate-covered matzoh balls at Easter time.

Now you tell me, which of the two companies would you drop everything for in order to do something special?

Obviously, our relationship with Dream Co. proved to be a great motivator. All the other things that Ignore Inc. did were good, but they hadn't built the "special" relationship that proved to be an effective motivator for us—and for the people who worked for us. Needless to say, we always went the extra mile in our dealings with Dream Co.

KEY POINTS FOR PLANNING

A good relationship between the independent rep agency and the manufacturer is paramount in motivation, but there are other issues involved as well. To give you an idea of how motivational factors might differ for different groups, we surveyed a group of rep agency partners who were members of the Wisconsin Assn. of Manufacturers Agents—as well as agency sales managers—who were attending a two-day workshop on Marketing Through Manufacturers' Agents at the Univ. of Wisconsin Business Center.

As you can see from the results of the survey (page 84), money is important, but it's certainly not the only thing principals of rep agencies and their sales managers will respond to. A good reputation, a reliable manufacturer to represent, and training are all high on their lists as well.

Knowing this, it's most important to develop a motivational plan that takes into consideration what will move the principals *and* the salespeople working for them. Here are some key points to consider when developing such a plan:

1. Figure out where on the hierarchy of needs the majority of your independent reps fall. Keep agency principals separate from salespeople.

2. Develop separate programs for principals and salespeople.

3. Obtain input from salespeople and principals about what they think of your motivational plan.

4. In general, the partners of independent rep agencies first want to increase income for their agency—and then make more money for them-

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selves. The salespeople who work for them, on the other hand, want first to increase their earnings, and then make more money for the agency.

The rest of the list includes things that should apply not just to your incentive program, but to all aspects of your relationship with an independent rep agency:

- Treat principals as professionals. They won't respond well to being bossed, but they do like strong leadership.
- Show them you care about them.
- Trust them to do the job.
- Make them feel secure.
- Recognize their independence.
- Don't measure their activities, measure their results.
- Be consistent and clear in your expectations.
- Give them realistic programs and sales tools.

If you keep these simple rules in mind when putting together an incentive plan for independent reps, you should have no problem motivating them successfully. The main thing to remember, however, is that despite the similarities in what they sell and how they sell it, salespeople and independent reps are *not* created equal when it comes to the fundamental aspects of motivation. □

Edwin E. Bobrow, president of Bobrow Consulting Group in New York City, is an author and frequent lecturer on sales and marketing topics.

Where your salespeople are on the hierarchy can help you develop the right program.

A Hierarchy of Needs

SELF-ACTUALIZATION
Self-fulfillment, opportunity to become what one is able to become, creative expression

SELF-ESTEEM
Recognition, status, appreciation, respect

LOVE/BELONGING
To love and to be loved, acceptance, affection

SAFETY/SECURITY
Order, discipline, protection of material acquisitions

PHYSIOLOGICAL
Food, water, shelter

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